

**TILT REGISTRANT TRANSITION PLAN**  
**FOR HB2316/SB2279 and S.A.F.E. ACT COMPLIANCE**

**ACTION REQUIRED**

**KEY DATE(S)**

**-Mortgage Loan Originator (MLO) Registration**

**NOW - July 30, 2009**

- **Who is a MLO?** The new legislation briefly defines a MLO as any **individual** who for compensation or gain or in the expectation of compensation or gain: (1) takes a residential mortgage loan application, or (2) offers or negotiates terms of a residential mortgage loan [with a prospective customer]. The term does not include an employee who is engaged solely as a loan processor or underwriter for the company.
- By July 30, 2009, a TILT company must **register** each of its employees that meet the definition of a MLO, so the company can retain authority to make mortgage loans.
- Registration is a simple process – just complete the enclosed form and pay the registration fee of \$100 **per** MLO (using one (1) check to cover all MLOs, please).
- Once registered, an individual may only work as a MLO for the TILT company with which they are registered – the individual may NOT use the registration to work as a MLO for an affiliate company, another TILT company, etc.
- If a TILT company has not registered any MLOs by July 30, 2009, it must stop originating new mortgage loans until it employs “licensed” MLOs.
- Each MLO that is timely registered by the TILT company is exempt from MLO licensure through December 31, 2009, but must file an application for a MLO license between November 1 and December 31, 2009 (for a 2010 license).
- Each MLO that is timely registered by a TILT company is automatically “sponsored” by that company for purposes of the new sponsorship requirement discussed below.

**-MLO Licensing**

**Starting July 31, 2009**

- Effective July 31, 2009, no individual may work as a MLO for any company unless they first obtain a MLO license (or unless timely registered, as provided above). A licensed MLO must also be “sponsored” by their employer (see below).
- A MLO applies for a license by completing a Form MU4 through the Nationwide Mortgage Licensing System & Registry (NMLS) (see below).
- The NMLS application process will involve submitting fingerprints for a criminal background check, authorizing a credit report, and paying a \$100 application fee to the Department (in addition to the NMLS fee).
- The S.A.F.E. Act requires an applicant to complete twenty (20) hours of pre-licensure education and to pass a written test; however, these requirements will be delayed as indicated below. *Any license issued prior to completion of the education and test will be accorded a “provisional” status.*
- A MLO that is timely registered (as provided above), and that applies for a 2010 license between November 1 and December 31, 2009, is authorized to continue operating (e.g. into 2010) until such time as the Department rules on the application.
- A license issued in 2009 is valid for the remainder of 2009, and may be renewed for 2010 by filing a renewal application between November 1 and December 31, 2009.

### **-Company Sponsorship of Licensed MLOs**

**Starting July 31, 2009**

- As of July 31, 2009, no individual (unless registered as provided above) may work as a MLO for a TILT company unless they've obtained a license (as provided above), and unless they have also been "sponsored" by the TILT company.
- The Department will not approve a sponsorship unless the MLO is first licensed, and only after verifying that the MLO is not sponsored by any other company.
- Sponsorship will require filing a form with the Department and paying a one-time \$100 sponsorship fee. The form will be available soon on the Department's website.
- Sponsorship remains valid as long as a MLO remains with a TILT company; however, a MLO will need a new sponsorship to go to work for an affiliate company, another TILT company, etc. (and will give up the old sponsorship).
- Sponsorship is "automatic" for each MLO that is timely registered with the company (see above), meaning that the company will not have to file the sponsorship form or pay the sponsorship fee for these individuals.

### **-MLO Pre-Licensing Test**

**July 31, 2009 - July 30, 2010**

- As a condition of obtaining a MLO license, the S.A.F.E. Act requires that every individual must pass a test that has been developed and approved by the NMLS.
- The test will have a national component (e.g. testing federal law and ethics), as well as a Tennessee-specific component. Each component may be taken separately.
- It is anticipated that the federal component of the test will be ready around July 31, 2009; however, the state component will likely not be ready until early 2010.
- Delayed Test Requirement - any MLO who applies for a MLO license prior to July 30, 2010, will have until July 30, 2010 to pass both components of the test. If both components are not passed by July 30, 2010, the "provisional" license will lapse on that date.

### **-MLO Pre-Licensure Education**

**July 31, 2009 - July 30, 2010**

- As a condition of obtaining a MLO license, the S.A.F.E. Act requires that every individual must complete twenty (20) hours of NMLS-approved pre-licensure education.
- It is anticipated that NMLS will begin approving courses soon for Tennessee applicants (likely in July or August, 2009).
- Delayed Pre-Licensure Education Requirement - any MLO who applies for a MLO license prior to July 30, 2010, will have until July 30, 2010 to complete the twenty (20) hours of pre-licensure education. If the twenty (20) hours is not completed by July 30, 2010, the "provisional" license will lapse on that date.
- Future Continuing Education - all MLOs will be required to complete eight (8) hours of NMLS approved education annually; however, MLOs do not need to take continuing education in the calendar year in which their license was first granted.

**-TILT Adjusted Surety Bond****Required By June 1, 2010**

- To renew a TILT company certificate of registration in 2010, the company must obtain a surety bond that provides coverage for each of its MLOs, and which is in an amount that reflects the dollar amount of residential mortgage loans originated by the company.
- The Department will provide additional information on this subject in the near future (e.g. loan thresholds and corresponding surety bond requirements, etc.).
- Note that for TILT companies that currently maintain a letter of credit, as opposed to a surety bond, the company will need to obtain the surety bond described above in order to renew its certificate of registration in 2010.

**-NMLS Mortgage Call Report****T.B.D. in 2010**

- All TILT companies that employ licensed MLOs will be required to file a Mortgage Call Report on an annual basis, beginning sometime in 2010.
- The Mortgage Call Report is a statement of condition on the company and its operations including financial statements and production activity volumes reported on a per state basis.
- The Department will provide additional information on this subject in the near future.

**BRIEF NMLS INFORMATION**

- To file a MLO licensure application through the NMLS, the applicant must first create a baseline record. Although the Department is not yet accepting MLO licensure applications, the NMLS is currently available to create the record. To do so, please have the MLO go to [www.stateregulatoryregistry.org/NMLS](http://www.stateregulatoryregistry.org/NMLS) and complete the "Individual Account Request" form found in the "Getting Started" section.
- Although creating a record is free, the NMLS will charge a processing fee of \$30.00 to submit a MLO application to the Department. The NMLS fee is an addition to licensing fees paid to the Department.
- The NMLS website includes instructions on creating an individual record, system functionality, and completion of the Form MU4, as well as "Quick Guides" and tutorials for easy reference.

**QUESTIONS**

- As questions arise about the transition process, the Department will post updated information on its website (<http://www.tennessee.gov/tdfi>).
- The Department's website contains links to the S.A.F.E. Act, HB2316/SB2279, and the NMLS.
- For licensing questions, you may also email [askmortgage.licensing@tn.gov](mailto:askmortgage.licensing@tn.gov), or call (615) 253-6714 and leave a message for a return call.
- NMLS-specific questions may be directed to the NMLS call center at (240) 386-4444, or please visit the NMLS website at [www.stateregulatoryregistry.org/nmls](http://www.stateregulatoryregistry.org/nmls)